

Life Insurance Over \$50,000

Group-Term Life Insurance Coverage provided to employees that is more than \$50,000 must be included in your employees' wages subject to Social Security, Medicare, Federal Income Tax, and State Income Tax, if applicable, and reported on the employees' W2 form in box 12C. The monthly cost of insurance is calculated by multiplying the amount of insurance coverage (per \$1,000) over the \$50,000 by the cost shown in the following table.

Cost Per \$1,000 of Insurance Coverage for 1 Month

<u>Age</u>	<u>Cost</u>
Under 25.....	\$0.05
25 through 29	\$0.06
30 through 34	\$0.08
35 through 39	\$0.09
40 through 44	\$0.10
45 through 49	\$0.15
50 through 54	\$0.23
55 through 59	\$0.43
60 through 64	\$0.66
65 through 69	\$1.27
70 and older.....	\$2.06

Note: The age is determined by the employee's age on the last day of the tax year.

For more information, please read Publication 15-B: Employer's Tax Guide to Fringe Benefits (<http://www.irs.gov/pub/irs-pdf/p15b.pdf>) on the IRS website. The preceding information and table were summarized from Publication 15-B.

Tracking Life Insurance Over \$50,000 in the School Accounting System:

Complete the following steps in the School Accounting System to set up the Payroll module to track life insurance coverage over \$50,000 for employees for tax purposes and report the information appropriately on the W2s.

Note: The following setup only applies to employees where the life insurance is paid entirely by the employer. If the life insurance is paid partially by the employee, this setup will not work. Also, the life insurance amount provided to employees must be based on their *wages*; do not use this setup if the life insurance amount provided to employees is a *flat dollar amount*.

1. In the Deduction File, set up a new deduction. See **Diagram A** (on next page).
 - For the Deduction Type field, select **Payment In Kind**.
 - For the Rate Type field, select **Multiplier Percent**.
 - In the W2 Information section, enter **12C** for the Federal Form Box ID and select **Employer** in the Share to Print field.
 - In the Cross References List, select the appropriate items including the **FIT**, **SIT-XX** (if applicable), **SOCSEC**, and **MEDICARE** taxes.

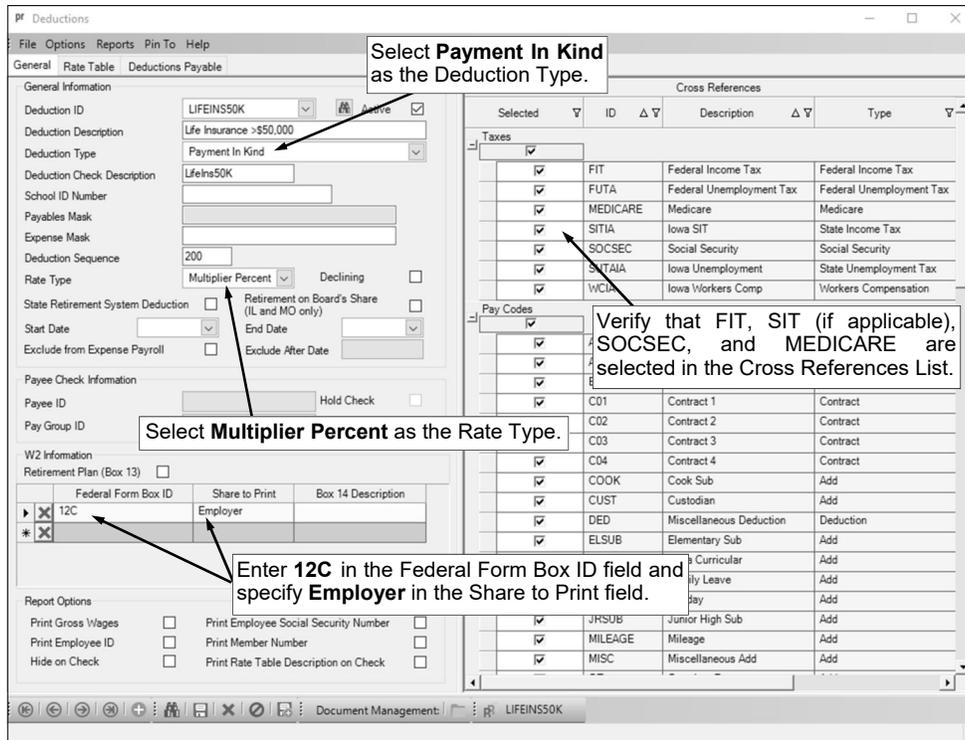


Diagram A

2. On the Rate Table screen in the Deduction File (see **Diagram B**), complete the following:

- Enter a limit for **\$50,000** in the Deduction Lower Limit field for Calendar Year specifying **Gross** in the Deduction Limit Type field.
- Enter a rate called "Multiplier Rate" as the Rate Description with the applicable multiplier for the wages entered in the Employer Rate field. For example, if the deduction should be calculated on one and one-half times the employees' wages (150% of the wages), enter **1.5** as the multiplier rate; if calculated on two times the wages (200% of the wages), enter **2**; or if calculated on the actual wages (100% of the wages), enter **1**.

- Then enter the rates for the various ages from the 'Cost Per \$1,000 of Insurance Coverage for 1 Month' table using the following specific wording: "Under" at the beginning of the Rate Description in the first age bracket, "Older" at the end of the Rate Description in the last age bracket, and the numbers of the ages at the beginning and end of the Rate Descriptions for the remaining age brackets; for example, use rate descriptions of "Under 25", "25 through 39", "40 through 64", "65 through 69", and "70 and Older".

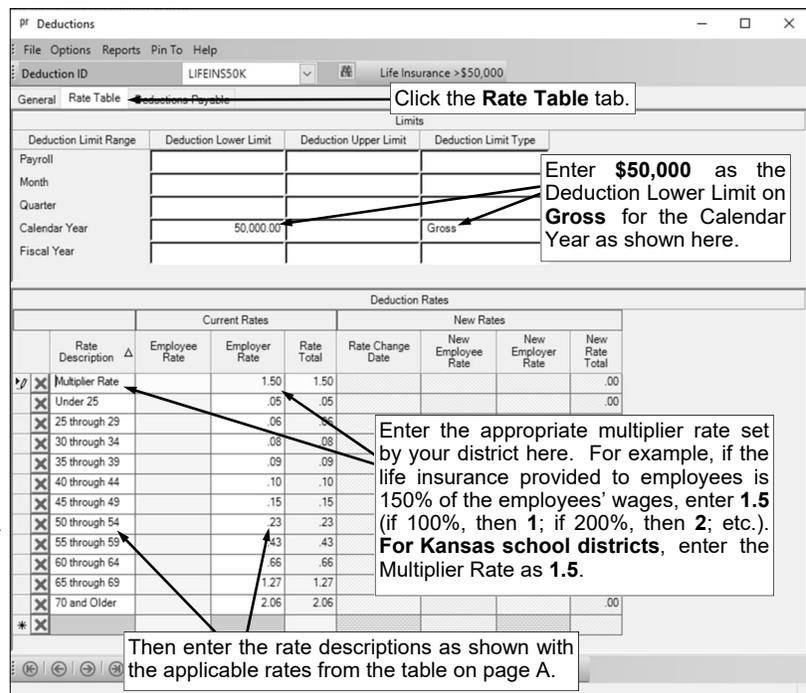


Diagram B

- On the Deductions screen in the Employee File, add the new deduction to the appropriate employees by entering **Multiplier Rate** in the Every Pay Period field for the Employer share. See **Diagram C**.

Note: During a payroll calculation, the system will automatically figure the employee's age on the last day of the tax year (as based on the Check Date for the batch) and use the appropriate rate from the rate table.

- Employees set up with the new deduction also need the Birth Date field completed on the Employment screen of the Employee File.

Employee Deductions Table:

Deduction ID	Deduction Description	Active	Employee Rate Type	Empl
AMERLIFE	American Life Ins Co	<input checked="" type="checkbox"/>	Fixed	
DUES	Dues-ISEA	<input checked="" type="checkbox"/>	Fixed	
HEALTH125	Travelers Health Ins 125	<input checked="" type="checkbox"/>	Fixed Table	
LIFEINS50K	Life Insurance >\$50,000	<input checked="" type="checkbox"/>		
NW/MUTLIFE	Northwestern Mutual Life	<input checked="" type="checkbox"/>	Fixed	
PRUDENTIAL	Prudential Life Ins Co	<input checked="" type="checkbox"/>		
RET	Ret-Iowa Public Empl Ret Sys	<input checked="" type="checkbox"/>	Percent Table	
UNITEDWAY	United Way	<input checked="" type="checkbox"/>	Fixed	

Cross References Table:

Selected	ID	Description	Type
<input checked="" type="checkbox"/>	FIT	Federal Income Tax	Federal Income Tax
<input checked="" type="checkbox"/>	FUTA	Federal Unemployment Tax	Federal Unemployment Tax
<input checked="" type="checkbox"/>	MEDICARE	Medicare	Medicare
<input checked="" type="checkbox"/>	SITIA	Iowa SIT	State Income Tax
<input checked="" type="checkbox"/>	SOCSEC	Social Security	Social Security
<input checked="" type="checkbox"/>	SUTAIA	Iowa Unemployment	State Unemployment Tax

Diagram C